UNEMPLOYMENT INSURANCE TRUST FUND
BENEFIT FINANCE MODEL

Vermont uses the USDOL / ETA Benefit Finance Model (BFM) to simulate and project the financial future of the unemployment insurance trust fund. We work closely with ETA to customize this model to the unique legal, financial and economic circumstances of the Vermont Fund. The model is updated each year to reflect the changing economic conditions which affect the Trust Fund's value.

At its most basic the BFM uses assumptions about key factors that affect the demand for UI benefits and flow of employer contributions to make a 10 year projection of the following indicators of the Trust Fund's health.

- Quarterly measures of beginning & ending UI Trust fund balances.
- Quarterly State and Federal UI Tax contributions by employers.
- Quarterly regular and extended benefit payments to employees.
- Quarterly estimates of total and taxable wages paid by employers.
- Annual interest earned on balances in the trust fund.
- Annual loans incurred if the trust fund exhausts.
- Annual interest payments due as a result of outstanding trust fund loans.
- FUTA credit reductions payments by employers as a result of outstanding trust fund loan balances.

The following factors which affect the demand for benefits and the flow of contributions are included as input into the BFM model:

- Quarterly and annual unemployment rates.
- Annual population growth (to determine labor force growth).
- Annual wage growth and distribution.
- State determined taxable wage base.
- State determined benefit payments (maximum weekly benefit).
- State determined experience based tax rates and schedule shift points.